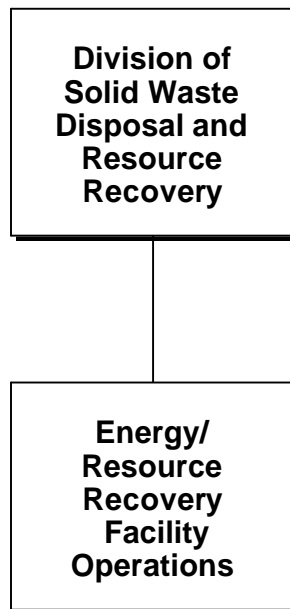


**DEPARTMENT OF PUBLIC WORKS
AND ENVIRONMENTAL SERVICES
SOLID WASTE MANAGEMENT**



FUND 112

ENERGY/RESOURCE RECOVERY FACILITY

Agency Position Summary

9 Regular Positions / 9.0 Regular Staff Years

Position Detail Information

ADMINISTRATION

1 Management Analyst III
1 Management Analyst II
1 Engineering Technician II
1 Heavy Equipment Operator
1 Administrative Assistant II
4 Weighmasters
9 Positions
9.0 Staff Years

FUND 112

ENERGY/RESOURCE RECOVERY FACILITY

Agency Mission

To serve Fairfax County citizens by providing effective solid waste disposal through incineration; to generate energy through the recovery of refuse resources; and to reduce the need for landfill space through volume reduction of solid waste.

| Agency Summary | | | | | |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Category | FY 2002 Actual | FY 2003 Adopted Budget Plan | FY 2003 Revised Budget Plan | FY 2004 Advertised Budget Plan | FY 2004 Adopted Budget Plan |
| Authorized Positions/Staff Years | | | | | |
| Regular | 9/ 9 | 9/ 9 | 9/ 9 | 9/ 9 | 9/ 9 |
| Expenditures: | | | | | |
| Personnel Services | \$351,732 | \$486,351 | \$486,351 | \$521,794 | \$518,725 |
| Operating Expenses | 33,677,427 | 33,405,444 | 34,343,400 | 32,943,299 | 32,943,299 |
| Capital Equipment | 22,652 | 0 | 0 | 30,000 | 30,000 |
| Total Expenditures | \$34,051,811 | \$33,891,795 | \$34,829,751 | \$33,495,093 | \$33,492,024 |

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2004 Advertised Budget Plan, as approved by the Board of Supervisors on April 28, 2003:

- ◆ A decrease of \$3,069 reflects reduced funding for the Pay for Performance program. Based on the approved 25 percent reduction, the FY 2004 program will result in reductions in the increases employees will receive based on their performance rating, capping employees to a maximum of 5.25 percent. This adjustment leaves in place the Pay for Performance program in preparation for system redesign for FY 2005.

The following funding adjustments reflect all approved changes to the FY 2003 Revised Budget Plan from January 1, 2003 through April 21, 2003. Included are all adjustments made as part of the FY 2003 Third Quarter Review:

- ◆ An increase of \$937,956 in Operating Expenses due to greater than anticipated waste processing associated with additional contracts for waste disposal which help the fund to meet disposal tonnage delivery commitments. This increase is totally offset by a commensurate revenue increase of \$937,956.
- ◆ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment in the amount of \$1,507,829 has been reflected as an increase to FY 2002 expenditures to reflect accrued amounts owed to Covanta Fairfax Inc. for tipping fees and Gross Receipts Tax. This impacts the amount carried forward resulting in a net decrease to the FY 2003 Revised Budget Plan. The audit adjustment has been included in the FY 2002 Comprehensive Annual Financial Report (CAFR).

FUND 112

ENERGY/RESOURCE RECOVERY FACILITY

County Executive Proposed FY 2004 Advertised Budget Plan

Purpose

Fund 112 manages the contract for the I-95 Energy/Resource Recovery Facility (E/RRF), owned and operated by Covanta Fairfax Inc. (Covanta), which burns municipal solid waste (MSW). The facility produces approximately 72 megawatts of electricity, which is sold to Dominion Virginia Power. Under the terms of the Service Agreement, the County is required to deliver at least 930,750 tons of MSW per year, for which it pays a disposal fee to Covanta. In order to meet this guarantee, the County has accepted additional MSW through Supplemental and Spot Market operations, as well as refuse collected from Prince William County through a refuse exchange agreement. The County charges a disposal fee to all users of the E/RRF and subsequently pays the contractual disposal fee to Covanta from these revenues. Revenues for the sale of electricity are used to offset the cost of the disposal fee paid to Covanta.

Key Accomplishments

- ◆ Covanta Fairfax, Inc. has been under the protection of a bankruptcy proceeding since April 1, 2002. Claims were filed with the Bankruptcy Court in August 2002 for pre-petition money owed to Fairfax County. Fairfax County and Covanta are working together to ensure that waste disposal is not interrupted and that the Service Agreement conditions are met while Covanta is in bankruptcy.
- ◆ The Gross Receipts Tax issue was settled through a negotiated agreement between Fairfax County, Dominion Virginia Power and Covanta that resulted in a reconciliation of power payments being made. The County will see a one time reduction in energy revenue from Dominion Virginia Power of \$1.4 million dollars in the settlement, covering the past 10 years, with no future reductions due to the Gross Receipts Tax.
- ◆ Fund 112 continues to manage the waste tire program including participation in the Virginia Waste Tire End User Program. Marketing efforts were broadened to increase the tons of tires disposed. A survey was conducted to determine what disposal facilities were currently being used by County customers and to ascertain any suggestions the customers had to improve program operation.
- ◆ In cooperation with Covanta, the County encouraged expansion of the Supplemental Waste program to increase revenues to the facility. While strict compliance with environmental standards was maintained, marketing efforts were increased to attract appropriate material for disposal at the facility.
- ◆ Working with the Consulting Engineers and Covanta, the County is implementing the direct discharge of cooling water into Mills Branch. This initiative will reduce the load on and expense of processing this "clean" water through the wastewater treatment system. Using technology, the cooling water discharge will have minimal impact on Mills Branch and the Occoquan Basin.
- ◆ The County began the strategic planning process to develop a Master Plan for the management of solid waste for the next 20 years. A contractor will be engaged to help with the research, collection, and presentation of the plan materials. The process will involve significant public participation culminating in a Public Hearing during the early months of 2004. The resulting Solid Waste Management Plan is due to the Virginia Department of Environmental Quality by July 1, 2004.
- ◆ Efforts are underway to determine the type and extent of equipment needed to detect radioactive contamination which may find its way into the municipal solid waste stream. Equipment will be mounted at the weigh scales at I-66 and I-95 to allow for further handling as needed to secure the waste from entering the facility.

FUND 112

ENERGY/RESOURCE RECOVERY FACILITY

- ◆ The E/RRF continued to attain its air quality permit limits in order to meet Clean Air Act requirements. The additional carbon, ammonia, and other chemicals needed to meet the standards have increased the operating costs.

FY 2004 Initiatives

- ◆ The Direct Discharge system will continue to be monitored to ensure compliance with the permit requirements of the Virginia Department of Environmental Quality.
- ◆ The development of the Solid Waste Management Plan (Master Plan) will continue. The contractor(s) engaged for the process will continue collecting and analyzing information, describing current resources, identifying community needs for the next 20 years, and assisting with citizen participation meetings. Half of the cost of the contractor(s) will be incurred in FY 2004. The Plan is due to Virginia Department of Environmental Quality by July 1, 2004.
- ◆ As part of the master planning process, staff will begin to address the impacts from changes in the Power Purchase and Operating Agreement that will occur in 2005, when the County begins receiving decreased revenues from the sale of E/RRF generated power to Dominion Virginia Power.
- ◆ In all likelihood, Covanta will still be in bankruptcy and County staff will continue working with Covanta with the view that the contract will be assumed as quickly as possible by Covanta.
- ◆ County staff will continue to monitor the flow of MSW into the E/RRF and search for additional waste as required to meet the tonnage commitment contained in the Service Agreement. Staff will work to increase the amount of supplemental waste being disposed at the facility in order to increase revenue.
- ◆ Staff will continue to monitor potential changes in State legislation which would impact the overall financial health of this fund. In FY 2002, Governor Warner proposed to increase the fee to dispose of MSW by \$5 per ton to fund State regulatory activities, open space preservation, and to support local solid waste programs. This proposal was narrowly defeated and it is anticipated that this proposal will resurface in the future as a way for the State to fund a variety of different programs during difficult financial times. Bills have also been introduced in the State House and Senate this session that would impose new fees on solid waste management facilities, sufficient to cover all the costs of the Department of Environmental Quality's Solid Waste Program. Proposals of this nature present a significant impact to the tipping fee at the E/RRF. From another perspective, legislation has been introduced which would levy an additional tax on waste tires to pay for cleanup of over 300 tire piles located throughout the State. If passed, this measure could significantly increase the number of tires to be processed, thereby increasing revenues to the fund. Staff will continue to monitor the impact of State legislative and administrative changes.

Performance Measurement Results

The performance measures for Fund 112, Energy/Resource Recovery Facility are related to the operation and efficiency of the facility. The measurement of tons above the Guaranteed Annual Tonnage (GAT) quantifies the ability of the County, as stated in the Service Agreement, to "deliver or cause to be delivered at least 930,750 tons of municipal solid waste" for which the County must pay a disposal fee to Covanta Fairfax, Inc. This minimum guarantee measures staff's ability to find new waste sources when needed, and manage those that are already being delivered to the E/RRF. In addition, energy generated per ton is directly related to waste delivered, since increased amounts of fuel (tons of municipal solid waste) result in more steam generation, and therefore, more energy produced. Likewise, electricity sold is a measure of the E/RRF's waste deliveries as well as its operating efficiency.

In FY 2002, efforts to ensure that waste deliveries remain above the minimum level were once again successful, resulting in delivery of an additional 96,934 tons over GAT. Energy sold totaled 87.17 percent, slightly lower than the previous year and below the measurement target of 87.5 percent.

FUND 112

ENERGY/RESOURCE RECOVERY FACILITY

Funding Adjustments

The following funding adjustments from the FY 2003 Revised Budget Plan are necessary to support the FY 2004 program:

- ◆ An increase of \$35,443 in Personnel Services associated with salary adjustments necessary to support the County's Compensation Program.
- ◆ A decrease of \$462,145 in Operating Expenses primarily due to a decrease in Contractor Compensation related to contractual payments for tire disposal based on FY 2002 actual tonnages.
- ◆ An amount of \$30,000 in Capital Equipment for an additional vehicle needed for staff transportation to and from the I-66 Transfer Station and the I-95 Landfill.

The following funding adjustments reflect all approved changes in the FY 2003 Revised Budget Plan since passage of the FY 2003 Adopted Budget Plan. Included are all adjustments made as part of the FY 2002 Carryover Review and all other approved changes through December 31, 2002:

- ◆ There have been no revisions to this agency since approval of the FY 2003 Adopted Budget Plan.

Performance Measures

Objectives

- ◆ To deliver no less than the Guaranteed Annual Tonnage (GAT) amount of 930,750 tons of municipal solid waste to the E/RRF as required under the contractual obligations of the Service Agreement between Covanta Fairfax Inc. and Fairfax County.
- ◆ To sell at least 87.5 percent of electric energy generated from the operation of the E/RRF after internal use.

| Indicator | Prior Year Actuals | | | Current Estimate | Future Estimate |
|---|--------------------|----------------|-------------------------|------------------|-----------------|
| | FY 2000 Actual | FY 2001 Actual | FY 2002 Estimate/Actual | FY 2003 | FY 2004 |
| Output: | | | | | |
| Tons municipal solid waste delivered | 1,055,343 | 1,070,544 | 1,070,000 / 1,027,648 | 1,070,000 | 1,070,000 |
| Energy generated (kWh in thousands) | 676,978 | 701,136 | 680,000 / 700,848 | 680,000 | 680,000 |
| Efficiency: | | | | | |
| Tons above GAT | 124,593 | 139,794 | 139,250 / 96,934 | 139,250 | 139,250 |
| Energy generated per ton | 641 | 655 | 636 / 682 | 636 | 636 |
| Service Quality: | | | | | |
| Percent of GAT delivered | 113.39% | 115.02% | 114.96% / 110.41% | 114.96% | 114.96% |
| Energy sold (kWh in thousands) | 590,059 | 611,774 | 595,000 / 610,918 | 605,000 | 605,000 |
| Outcome: | | | | | |
| Met GAT requirement | Yes | Yes | Yes / Yes | Yes | Yes |
| Percent of energy sold (internal use approx. 12.5%) | 87.16% | 87.25% | 87.50% / 87.17% | 88.97% | 88.97% |

FUND 112

ENERGY/RESOURCE RECOVERY FACILITY

FUND STATEMENT

Fund Type G10, Special Revenue Funds

Fund 112, Energy/Resource
Recovery Facility (E/RRF)

| | FY 2002 Actual | FY 2003 Adopted Budget Plan | FY 2003 Revised Budget Plan | FY 2004 Advertised Budget Plan | FY 2004 Adopted Budget Plan |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Beginning Balance | \$12,993,592 | \$9,934,280 | \$10,174,238 | \$9,913,716 | \$9,913,716 |
| Revenue: | | | | | |
| Disposal Revenue: | | | | | |
| County of Fairfax ¹ | \$22,452,987 | \$25,922,100 | \$26,440,542 | \$25,791,570 | \$25,791,570 |
| District of Columbia ² | 5,618,518 | 2,165,800 | 2,209,116 | 4,816,112 | 4,816,112 |
| Waste Exchange Agreement ³ | 632,885 | 933,000 | 125,664 | 961,200 | 961,200 |
| Wastewater Services ⁴ | 156,425 | 123,200 | 951,660 | 145,167 | 145,167 |
| Other Jurisdictions ⁵ | 24,759 | 392,400 | 400,248 | 27,000 | 27,000 |
| Tire Program ⁶ | 688,684 | 737,380 | 752,128 | 657,983 | 657,983 |
| Supplemental/Spot Market Programs | 1,144,373 | 2,886,100 | 3,254,269 | 1,200,192 | 1,200,192 |
| Subtotal Revenue | \$30,718,631 | \$33,159,980 | \$34,133,627 | \$33,599,224 | \$33,599,224 |
| Other Revenue: | | | | | |
| Interest on Investments | \$238,570 | \$221,293 | \$181,029 | \$197,171 | \$197,171 |
| Miscellaneous | 275,256 | 250,000 | 254,573 | 250,000 | 250,000 |
| Subtotal Other Revenue | \$513,826 | \$471,293 | \$435,602 | \$447,171 | \$447,171 |
| Total Revenue | \$31,232,457 | \$33,631,273 | \$34,569,229 | \$34,046,395 | \$34,046,395 |
| Total Available | \$44,226,049 | \$43,565,553 | \$44,743,467 | \$43,960,111 | \$43,960,111 |
| Expenditures: | | | | | |
| Personnel Services | \$351,732 | \$486,351 | \$486,351 | \$521,794 | \$518,725 |
| Operating Expenses ⁷ | 33,677,427 | 33,405,444 | 34,343,400 | 32,943,299 | 32,943,299 |
| Capital Equipment | 22,652 | 0 | 0 | 30,000 | 30,000 |
| Total Expenditures | \$34,051,811 | \$33,891,795 | \$34,829,751 | \$33,495,093 | \$33,492,024 |
| Total Disbursements | \$34,051,811 | \$33,891,795 | \$34,829,751 | \$33,495,093 | \$33,492,024 |
| Ending Balance | \$10,174,238 | \$9,673,758 | \$9,913,716 | \$10,465,018 | \$10,468,087 |
| Tipping Fee Reserve | \$1,936,801 | \$1,500,000 | \$1,500,000 | \$1,500,000 | \$1,500,000 |
| Rate Stabilization Reserve ⁸ | 6,600,908 | 8,173,758 | 8,413,716 | 8,965,018 | 8,968,087 |
| Unreserved Ending Balance | \$1,636,529 | \$0 | \$0 | \$0 | \$0 |
| Disposal Rate/Ton | \$28/Ton | \$30/ton | \$30/ton | \$30/ton | \$30/ton |

FUND 112

ENERGY/RESOURCE RECOVERY FACILITY

¹ The fee for the I-95 Energy/Resource Recovery Facility was \$28 per ton for FY 2002 and will be \$30 per ton for FY 2003 and FY 2004.

² On October 12, 1998, deliveries of waste from the District of Columbia began being made by the District's waste disposal contractor. It is anticipated that this contract will be extended through October 2003.

³ Prince William County waste is received at the E/RRF as a result of the Interjurisdictional Solid Waste Facility Use Agreement.

⁴ Wastewater Services includes the disposal of grit and screenings and other wastewater-related material from the Alexandria Sanitation Authority (ASA).

⁵ Other jurisdictions' disposal has significantly decreased.

⁶ Revenues received from the Virginia End User Program.

⁷ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment in the amount of \$1,507,829 has been reflected as an increase to FY 2002 expenditures to reflect accrued amounts owed to Covanta Fairfax Inc. for tipping fees and Gross Receipts Tax. This impacts the amount carried forward resulting in a net decrease to the *FY 2003 Revised Budget Plan*. The audit adjustment has been included in the FY 2002 Comprehensive Annual Financial Report (CAFR).

⁸ Further changes including: potential additional air pollution controls; tax changes regarding energy sales; and power deregulation will result in increased annual costs. This reserve will serve to stabilize rates. Within the next few years, the EPA may issue additional, more stringent guidelines for pollutants covered under the Clean Air Act Amendments of 1990, most likely NOx reductions due to ozone problems in the Northeast United States. Recent problems with excessive water conductivity require a water discharge project for excess water used by the E/RRF. The cost of operations and maintenance of the project will pass through to the County. Changes in the structure of power payments in FY 2005 necessitate having a reserve to cover the transition period.